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TAGS: PREL EINV ETRD BR KS KN

SUBJECT: BRAZILIANS, KOREANS SAY RELATIONS GOOD, GETTING BETTER

REF: A. SEOUL 2177
 1B. BRASILIA 1486
 1C. BRASILIA 1534
 1D. BRASILIA 534
 1E. BRASILIA 1407

Classified By: CLASSIFIED BY POLITICAL COUNSELOR STEPHEN LISTON, REASON S 1.4 B AND D

11. (C) Summary. The four-day visit to Brazil by Korean President Lee Myung-bak reaffirmed an already positive relationship characterized by a rapidly growing but unbalanced trade relationship, plans for modest exchanges in agricultural and mining technology, and very different views on UN reform. Before the Brasilia summit, Lee led a trade mission to a Sao Paulo bilateral business forum. The ROK and GOB are still far apart on Brazil's top foreign policy priority of UNSC reform and a permanent Brazilian UNSC seat. Brazilian diplomats complained that Lee has a "businessman's profile" and does not like discussing political topics. President Lula agreed to visit South Korea in 2009. End summary.

12. (C) Korean President Lee Myung-bak visited Brazil from November 17-20 with a trade mission of 35 Korean businessmen. In Sao Paulo, he and the trade delegation participated in a bilateral business forum and met with state governor Serra. On November 19, Lee met with President Lula for talks about the bilateral relationship. First Secretary Ricardo Portugal, Korea desk officer at Brazil's Ministry of External Relations, told poloff that the visit built on the good relationship between the two countries and there are few difficult points in the relationship, although they are very far apart on Brazil's aspiration for a permanent UNSC seat. Both Portugal and Dong Won Park, Economics Counselor of the Republic of Korea Embassy in Brasilia, told poloff that the only difficult part of the visit was preparing the joint communique's language on the United Nations. Neither offered specifics of the divergent views, but Portugal said, "The Koreans don't even talk about UN reform, it was the hardest part of the talks, and preparing the communique's text on it was frustrating." Brazil is attractive to Korea as a regional leader, a leader in south-south dialogues, and as an emerging global leader, Park explained, so expanding trade and strengthening friendship with Brazil are part of a broad effort to develop good relations with "middle powers" (see also ref a). Previous Brazil-Korea summits took place in 2004 in Brazil, which coincided with the Chile APEC summit, and in 2005 in Seoul; on both occasions Lula met with

then-president Roh Moo-hyun. At this latest meeting, which coincided with the Peru APEC summit, President Lula agreed to visit South Korea in 2009.

North Korea

¶3. (C) The joint communique states that the presidents discussed North Korea, and that both sides support the Six Party Talks and continuing dialogue. Park said Brazil always consults with South Korea about North Korea, and confirmed that South Korea is pleased with Brazil's plans to open an embassy in Pyongyang next year (ref b) because it believes contact with Brazil could have a positive and moderating influence on North Korea. Kyung Hung Cho, Korean Ambassador to Brazil told *Correio Braziliense* (leading Brasilia daily; 11/19/08), "If (Brazil) in fact opens an embassy (in North Korea), it will be another incentive to the North Koreans to open their society to the world." In the context of talks on North Korea, UN reform, and other topics, Portugal commented that President Lee, perhaps because of his business background, does not seem to like politics and it was harder to discuss politics with him than with Roh, who was very different. His comments align with those of another Brazilian diplomat, who recently commented that Korean diplomacy is "blunt and too rigid," and tends to "simplify excessively" (ref c).

Trade and Investment

¶4. (SBU) The joint communique signaled that Brazil hopes for Korean investment in Brazilian infrastructure works such as a

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high-speed train, dredging, and shipbuilding. Korea already has major investments in Brazil in high technology (Samsung), automobiles (Hyundai), and ports technology at Suape, Pernambuco. The two countries signed an MOU to establish a joint committee on trade and investment promotion. Bilateral trade between Brazil and South Korea nearly tripled in the period 2002-07, growing from 1.91 to 5.43 billion dollars; by November 2008, two-way trade had reached 7.36 billion and could reach eight billion dollars by year's end (Brazilian Ministry of Development, Industry and Foreign Trade Ministry statistics). Top Korean exports to Brazil are electronics, LCD devices, and automobiles; top Brazilian exports to Korea are semi-finished iron and steel products, iron ore, and soy.

But there is a very large trade imbalance in South Korea's favor: for 2008 it had reached 2.23 billion dollars by November. Korea desk officer Portugal said the trade imbalance makes the Brazilian business sector reluctant to engage the Koreans, but Counselor Park said the Korean president and his trade mission got an "enthusiastic reception" from Brazilian business interests. Park said Brazil is very important to Korean trade: it is Korea's third largest Latin American trading relationship after Mexico and Chile, with which Korea has an FTA. Portugal and Park also indicated that a trade disagreement over Brazilian meat exports to Korea was on the verge of being resolved.

Doha Round

¶5. (U) The joint communique called for an "early conclusion" of the Doha round as a "key to the reinvigoration of the global economy" and for more engagement by WTO members to resolve Agriculture and Non-Agricultural Market access issue by the end of the year.

Memoranda of Understanding on Agriculture and Mining

¶6. (SBU) Brazil and ROK signed MOUs on agricultural cooperation and mining under which Brazil will open a cooperative research laboratory of the Brazilian agricultural research body EMBRAPA in Korea and Korea will open a Korean Rural Development Administration laboratory in Brazil. Portugal said the mining MOU, although undertaken by the presidents, concerns commercial interests, the Brazilian

Mining Association and the Korea Resources Corporation, and is therefore mainly private in nature.

¶7. (SBU) Comment. Still maturing, this relationship is clearly on the right track, as evidenced in particular by Brazil's consultations with ROK at every step of its engagement with the DPRK, and a demonstrated will on both sides to ramp up trade and investment. While the bilateral trading profile resembles that of Brazil and China (ref d) -- Brazil exports raw materials and imports manufactured goods -- the investment profile is quite different. Koreans have made large investments in Brazil, such as a Samsung factory in Manaus, a Hyundai factory in Sao Paulo state, and there will probably be other such large investments in the future, which should continue to foster good bilateral relations.

SOBEL